

ILLINOIS COMMERCE COMMISSION PUBLIC ACT 100-0432

**CLASS I RAILROAD SUPPLIER
DIVERSITY REPORT**

2020 REPORT



2020 Halo National Award Winner for Employee Engagement

RAILROAD NAME: CSX TRANSPORTATION

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I. CSX Transportation

National Network and Background

CSX, based in Jacksonville, Florida, is a premier transportation company. It provides rail, intermodal and rail-to-truck transload services and solutions to customers across a broad array of markets, including energy, industrial, construction, agricultural, and consumer products.

For nearly 200 years, CSX has played a critical role in the nation's economic expansion and industrial development. It's network connects every major metropolitan area in the eastern United States, where nearly two-thirds of the nation's population resides. It also links more than 230 short-line railroads and more than 70 ocean, river and lake ports with major national population centers and farming towns alike.

CSX's goal is to be the best-run railroad in North America. Fundamental to that goal is strong environmental, social and governance (ESG) performance, which includes diversity and inclusion.

As reflected in the company's recently released ESG Report, CSX has made outstanding progress since the transformation of our operating model, including recognition for dramatic improvements in sustainability, efficiency, safety and diversity.

Since the last full ESG report issued in 2016, CSX has:

- Reduced FRA-reportable injury rate by 16 percent;
- Reduced the FRA-reportable train accident rate by 24 percent;
- Lowered terminal car dwell time by 23 percent;
- Improved fuel efficiency by 7.1 percent;
- Lowered greenhouse gas emissions by 6.5 percent; and
- Became the first U.S. Class I railroad to cross the fuel-efficiency threshold of 1 gallon of fuel per 1,000 gross ton-miles of freight.



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The powerful combination of people development and technological innovation is driving the company's improvements in safety, service and efficiency. CSX's commitment to diversity and inclusion is reflected in the 37 percent diversity of management employees and 49 percent diversity in management new hires.

CSX's performance across the ESG spectrum is evident in the many awards, recognitions and milestones the company achieved. In addition to becoming the first railroad in the United States to align with the **Science Based Targets initiative**, the company was recognized for its achievements by the **Dow Jones Sustainability Index**, **World Finance Magazine**, **Disability:IN**, **Engage for Good** and **U.S. Veterans Magazine**, among many others.

CSX participates in the Disability Equality Index and has been recognized as a, "**Best Place to Work for Disability Inclusion**." CSX has also been recognized by the **Women's Forum of New York for the diversity of the CSX Board of Directors**.

Additionally, CSX is actively engaged with suppliers to reduce emissions across the value chain to drive meaningful progress on climate change. Already recognized as a member of the global "A" list for environmental transparency and action, CSX was named to the **2020 CDP Supplier Engagement Leaderboard**. CDP, a global environmental non-profit group, announced that CSX is among the top 7 percent of companies assessed for supplier engagement on climate change.

While we are proud of these achievements, we strive for continuous improvement not only on environmental performance, but also within each of our ESG priorities, including keeping our employees and communities' safe; delivering excellent customer service; building a diverse, world-class workforce; and upholding high ethical standards.

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CSX IN ILLINOIS

• **Employment**

CSX has over 700 direct employees in Illinois, with terminals in Bedford Park, Chicago, Danville, East St. Louis, Ottawa, and Riverdale. Several hundred more contractors work at CSX facilities throughout the state.

• **Commodities**

CSX transports a number of commodities including corn, grain, sweeteners and coal. CSX also moves industrial products, general merchandise, steamship good and supports UPS operations.



CSX in the Community

Like other transportation companies, in 2020 CSX faced unprecedented challenges from both the rising number of COVID-19 cases and the broader supply disruptions from volatile demand, inventory shortages and imbalanced freight flows. As the global pandemic unfolded, CSX took action to implement a rigorous plan to safely manage our operations and strengthen our commitment to communities. We worked closely with our **Pride in Service** nonprofit partners to ensure that military families, veterans, and first responders still received the support they need – even and especially in the midst of social distancing restrictions and closures. We joined with our Pride in Service partners to establish new coalitions and funds to provide special support to frontline workers engaged in fighting the coronavirus crisis, including hospital workers, paramedics, emergency medical technicians, and 911 dispatchers.

CSX, in partnership with **Operation Gratitude** delivered essential care packages to Chicago frontline workers and first responders. Transported by CSX from Operation Gratitude's California warehouse to Chicago, the shipments contained 241,000+ individual items designed to lift the spirits of 18,000+ members of Chicago Police and Fire Departments, and 3,750+ medical workers on the frontlines of COVID-19 pandemic response. Chicago PD was among the hardest hit agencies, with a staggering 500+ cases of the virus impacting their officers, including a few deaths. As the third hardest-hit state in the nation and a city bearing the brunt, CSX directed resources to Little Company of Mary Hospital, Christ Advocate Hospital, and St. Anthony Hospital, all of which faced capacity and financial struggles in the wake of the pandemic.

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II. ANTITRUST STATEMENT OF CSX TRANSPORTATION, INC.

CSX Transportation, Inc. (CSXT) is submitting the information in this report at the request of the Illinois Commerce Commission. Our purpose in participating is to provide the Commission with information regarding supplier diversity. Compliance with all laws, particularly the antitrust laws, is a paramount policy at CSXT. To ensure compliance with antitrust laws, CSXT will not discuss the following topics:

- Transportation terms and conditions of any carrier for any shipper/receiver or passenger rail carrier.
- Standardizing or stabilizing prices to, from or among competitors for transportation, equipment supply or equipment repairs.
- Boycotts or refusals to deal with any particular entity.
- Carriers', vendors' or shippers' pricing or marketing practices.
- Modifications to carrier, vendor or shipper specific rates or charges.
- Industry-wide guidelines, standards, procedures or agreements that would restrict competition.
- Any topic that might give even the appearance of discussing the prohibited topics I've just mentioned.

While collective action to support the development of sound public policy, legislation and regulations enjoys qualified antitrust immunity, that immunity is always applied narrowly. So CSXT will be careful and we encourage all other companies and entities to be similarly careful even in this official, governmental setting in avoiding inappropriate subjects and in carrying out our important obligations under federal and state antitrust laws.

CSXT appreciates the opportunity to provide the Commission with information concerning CSXT's supplier diversity.

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II. CSX DIVERSITY

- **CSX IS PROUD OF ITS ESSENTIAL AND SAFE WORKFORCE. MANY OF THE JOB FUNCTIONS TAKEN ON BY SUPPLIERS IN MANY OTHER INDUSTRIES ARE DONE BY A DIVERSE GROUP OF CSX EMPLOYEES.**
- **FREIGHT RAILROADS ARE AMONG THE HIGHEST CAPITAL INTENSIVE BUSINESSES UNDERTAKEN BY OUR EMPLOYEES.**

Chicago/Illinois Employee Diversity

% Minority	54%/38%
% Female	39%/9%
% Diverse	65%/40%

- **CSX SUPPLIER DIVERSITY**

CSX uses diverse suppliers, not all of which are located in Illinois, but support our network operations in the state. This includes diverse legal, logistics, software, office supplies many many more types of functions for CSX. CSX is committed to promoting and fostering an inclusive procurement process that provides opportunities for all suppliers, regardless of size or any social or economic distinction, such as age, race, creed, color, sex, ancestry or national origin. While CSX does not award suppliers based on preferences that would result in unfair competitive advantages over other Suppliers, CSX is committed to actively seeking and engaging diverse suppliers to compete for opportunities to support CSX.

Diverse Supplier Procurement Policy

The objective of CSX's Procurement Department is to procure the materials, supplies and services needed to support railroad operations across its network. At CSX, we accomplish this through a competitive bidding process where awards are made, consistent with other corporate commitments, on the basis of 4 essential factors:

- ☐ Quality and workmanship of materials.
- ☐ Service that meets the needs of CSX.
- ☐ Fair prices, efficient operations, sound engineering and research.
- ☐ Ability to provide materials and services in the required timeframe.

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In order to ensure that diverse business enterprises have an opportunity to supply the required services and commodities, CSX initiated a Diverse Supplier Procurement Program, under which we will ensure a continued focus on improving supplier relationships with small, minority-owned and women-owned businesses.

- **Highest Level of Active Management Participation**
Head of Procurement
- **Conference Attendance.** National conferences rotate each year to different cities to provide cost effective attendance by suppliers. While many of these were cancelled in 2020 due to the pandemic, CSX did participate in the virtual Unlocking Tier 2 Opportunities conference sponsored by Coca Cola, UPS, and Com Communications in November of 2020.

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SUPPLIERS

YEAR	\$ TOTAL DIVERSE SPEND and (+/-) % CHANGE FROM PREVIOUS YEAR	MBE	WBE	VBE	Small Business*
2020	\$222 million	\$30.2 M (53)	\$186.1 M (81)	\$2.0 (15)	\$4.3 million (15)
2019	\$90.3 million	\$15.9M	\$65.8M	\$2.3M	\$6.4M

	HUBZone	SDB/8A	
2020			
2019			

* How many of the small businesses are certified?

YEAR	# OF DIVERSE SUPPLIERS	MBE	WBE	VBE	Small Business*
2020		53	81	15	15
2019	131	32	66	14	19

	HUBZone	SDB/8A	
2020			
2019			

* How many of the small businesses are certified?

* **How many, out of all diverse suppliers, are headquartered in Illinois?**

- We have more than doubled our diverse spend in the state of IL 2020 vs. 2019
- We have more than doubled our diverse suppliers in the State of IL 2020 vs. 2019
- General Engineering contractors have been encouraged to seek more diverse suppliers for subcontracting work.

YEAR	# of NEWLY CONTRACTED DIVERSE SUPPLIERS	% CHANGE OVER PRIOR YEAR	SPEND	% CHANGE OVER PRIOR YEAR	# HEADQUARTERED Outside of ILLINOIS	# HEADQUARTERED IN ILLINOIS
2020	18		\$2.2	151%		\$2.2 million
2019	10		\$875.4			\$875.4 million

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SUPPLIERS & PROFESSIONAL SERVICES

2020 Highlights	<ul style="list-style-type: none"> • CSX has experienced a dramatic growth in DBE spend over the past 3 years including in IL. • • •
Large Capital Projects	<ul style="list-style-type: none"> • CREATE Project B-9 Construction • CREAGE Project WA-11 Planning • CREATE Project P-3 Construction • CREATE Project GS-19 Construction
Supplier Diversity Goals	<ul style="list-style-type: none"> • Increase supplier diversity through General Contractors. More than doubled between 2019 and 2020. • National Contractors Encouragement
Professional Services Goals	<ul style="list-style-type: none"> • Same as above • •
Unique Initiatives – 2020 & 2021	<ul style="list-style-type: none"> • • •
2021: Areas of Procurement Plans	<ul style="list-style-type: none"> • CREATE Projects – Chicago, IL • Local purchasing offeres best opportunity

Terms & Definitions:

Small Business – an independently owned and operated company that is limited in size and in revenue depending on the industry. Certified via, city, county, state, third party.

Minority Owned Business (MBE) – it is at least 51% owned by such individuals or, in the case of a publicly-owned business, at least 51% of the stock is owned by one or more such individuals i.e. the management and daily operations are controlled by those minority group members.

Women Owned Business (WBE) - is at least 51% owned, operated and controlled on a daily basis, and long-term decisions are made by one or more female American citizens. WBEs are typically certified by a third-party, city, state or federal agency.

Veteran Owned Business (VBE) – generally non-industry specific, but requires that the company is at least 51% owned, operated, and controlled by a veteran.

SBD/8A – Small Disadvantaged Business (SDB) that is at least 51% owned by one or more individuals who are socially and economically disadvantaged individuals who are U.S. citizens.

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HUBZone – Small Business Administration (SBA) program for small companies that operate and employ people in Historically Under-utilized Business Zones; at least 51% controlled by U.S. citizens